



Minnesota Workers' Compensation  
Insurers Association, Inc.  
7701 France Avenue South Suite 450  
Minneapolis, MN 55435-3200

December 9, 1999

**ALL ASSOCIATION MEMBERS**

Circular Letter No. 99-1334

RE: ITEM B-1361 - Basic Manual Updates of Selected Rules and References

The Minnesota Department of Commerce has approved the above filing effective 12:01 a.m., January 1, 2000, applicable to new and renewal business only.

The purpose of the above numbered filing is to enhance selected rules and references to modernize or clarify the Basic Manual. Periodically National Council reviews the Basic Manual to determine if certain rules and references should be considered for elimination, phraseology modernization, or phraseology clarification. Based on one of these reviews, NCCI proposed making changes to Rules IV, VI, VII, X, and Appendix A to update several Basic Manual references and interpretations to meet today's business needs. NCCI also proposed amending the classification section of the Basic Manual to include indicators next to certain classification codes that will identify their inclusion in one of the following industries: construction/erection, farming, or stores/dealers. This change should permit Basic Manual users to easily identify classifications in those industry groups with the special rules that apply to them. There should be no significant impact on current premium levels as a result of this filing.

The attached exhibits illustrate the changes necessary to the Basic Manual to implement the various proposals under this filing. Please note that the Minnesota pages of the Basic Manual already include the clarifications concerning the farm classifications that are illustrated on Exhibit I. Exhibit II provides a sample page to illustrate the changes to the classification pages necessary to implement the inclusion of the industry group indicators for the construction/erection, farming, and stores/dealers' classifications in the Minnesota pages of the Basic Manual. Exhibit II also includes separate listings of the national classifications impacted by this rule clarification as well as the classification codes that will be impacted in the Minnesota pages. It should be noted that the multi gradation premium discount example for Appendix C of the Basic Manual illustrated on Exhibit IV of NCCI's filing materials has not been included as it is not applicable in Minnesota due to the nature of the competitive rating rules in this state.

Please note that the proposed language on the attached exhibit pages contains underlined and strikethrough text. The underlining represents new or added text while the strikethroughs indicate deleted text. The National Council's original filing memorandum is also attached for your convenience.

Very truly yours,

M. A. Johnson  
Director of Underwriting Services

**NOTICE TO MEMBERS:**

The Minnesota Department of Commerce requests that MWCIA remind its members that the above filing only applies automatically to insurance companies who have filed a Limited Power of Attorney agreement with our Commerce Department. A properly executed Limited Power of Attorney authorizes MWCIA to make filings on behalf of individual insurance companies. Any insurance company who has not filed a Limited Power of Attorney must independently submit the changes represented in each filing item to the Minnesota Department of Commerce for their approval.

EXHIBIT I

BASIC MANUAL

PART ONE - RULES

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
<b>Rule IV---Classifications</b>	<b>Rule IV---Classifications</b>
<b>D. Assignment of Classifications</b>	<b>D. Assignment of Classifications</b>
<p><b>8. Construction or Erection Operations</b>            Each distinct type of construction or erection operation at a job or location shall be assigned to the classification that specifically describes such operation provided separate payroll records are maintained for each operation.</p>	<p><b>8. Construction or Erection Operations</b>            Each distinct type of construction or erection operation at a job or location shall be assigned to the classification that specifically describes such operation provided separate payroll records are maintained for each operation. <u>For purposes of classification, construction or erection classifications are identified in Part Two-Classifications by • immediately following the code number.</u></p>
<p>Any such operation for which separate payroll records are not maintained shall be assigned to the highest rated classification that applies to the job or location where the operation is performed.</p>	<p>SAME</p>
<p>A separate construction or erection classification shall not be assigned to any operation that is within the scope of another classification assigned to such a job or location.</p>	<p>SAME</p>
<p><b>a. Contracting Classifications - Insured Subcontractors</b></p>	<p><b>a. <u>Construction or Erection</u> Classifications-Insured Subcontractors</b></p>
<p>(1) A subcontractor who performs a single type of work on a construction project or job shall be classified on the basis of the classification describing the particular type of work involved.</p>	<p>SAME</p>
<p>(2) All operations in conjunction with concrete construction including making and erecting forms, placing reinforcing steel and stripping forms, when done by subcontractors, shall be assigned to the appropriate concrete construction classification.</p>	<p>SAME</p>
<p><b>Example of D.8.a.</b>            The subcontractor who performs only excavation work in connection with the construction of a sewer would be classified under Excavation, Code 6217, rather than Sewer Construction, Code 6306.</p>	<p><b>Example of D.8.a.</b>            The <u>insured</u> subcontractor who performs only excavation work in connection with the construction of a sewer would be classified under Excavation, Code 6217, rather than Sewer Construction, Code 6306.</p>

EXHIBIT I

BASIC MANUAL

PART ONE - RULES

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
<p><b>b. Contracting Classifications-Uninsured Subcontractors</b></p>	<p><b>b. <u>Construction or Erection</u> Classifications-Uninsured Subcontractors</b></p>
<p>Uninsured subcontractors, covered under the principal contractor's policy, are classified on the basis of classifications that would apply if the work were performed by the principal's own employees.</p>	<p>SAME</p>
<p>NONE</p>	<p><b><u>Example of D.8.b.</u></b>  <u>The uninsured subcontractor who performs only excavation work but is covered under the policy of the principal contractor who is performing the construction of a sewer would be classified under Sewer Construction, Code 6306.</u></p>
<p><b>10. Farm Operations</b></p>	<p><b>10. Farm Operations</b></p>
<p><del>For assignment of classification for farm operation, refer to Part Two-Classifications: Farm.</del></p>	<p>For the purpose of the application of workers compensation farm classifications, a farm is defined as any parcel(s) of land used for the purpose of agriculture, horticulture, viticulture, dairying, or stock or poultry raising as a business or commercial venture. A division of payroll may be allowed for each separate and distinct type of commercial farm operation as described by farm classifications, provided that separate records of payroll are maintained. In the event that the payroll records do not reveal clearly an accurate segregation of payroll applicable to farm classifications, the entire payroll for the farm must be segregated on the basis of proportionate acreage's. Each farm classification includes all employees, other than inside domestic workers, including drivers, and all normal repair and maintenance of buildings or equipment performed by the employees of the insured. Such activities as the maintenance of cows, hogs, or chickens for family use; a family orchard or truck garden; and hay or grain crop raised for the purpose of maintaining work animals on the farm must be considered usual and incidental to the operation of any type of farm.</p>

**EXHIBIT I**  
**BASIC MANUAL**  
**PART ONE - RULES**

<b>PRESENT PHRASEOLOGY:</b>	<b>PROPOSED PHRASEOLOGY:</b>
NONE	Classifications for which this rule is applicable are identified in Part Two-Classifications by ■ immediately following the code number.
<b>MN EXCEPTION:</b>	<b>ADD MN EXCEPTION:</b>
<u>Rule IV---Classifications</u>	<u>Rule IV---Classifications</u>
NONE	<u>D. Assignment of Classifications</u>
NONE	<u>10. Farm Operations</u>
NONE	Refer to Minnesota Special Classifications pages for definition of farm operations.
<b>11. Mercantile Businesses</b>	<b>11. Mercantile Businesses</b>
For mercantile businesses <del>such as stores or dealers,</del> the classification is determined separately for each location.	<u>For the purpose of the application of workers compensation mercantile classifications, a mercantile business is defined as any store or dealer engaged in the sale of goods or merchandise or in the sale of services. For mercantile businesses, the classification is determined separately for each location.</u>
NONE	<u>The assignment of a classification to a store is based upon the principal type of merchandise sold, and whether the operations are wholesale or retail. The following definitions and instructions are to be observed in determining the appropriate store classification:</u>
NONE	1. <u>Type of Merchandise Sold: If a store sells several types of merchandise, each of which may be subject to a different classification, such a store shall be assigned on the basis of the principal category of the merchandise sold. The term "principal" means more than 50% of the gross receipts.</u>

EXHIBIT I

BASIC MANUAL

PART ONE - RULES

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
NONE	<p><u>2. Wholesale vs. Retail: Retail applies to the sale of merchandise to the general public for personal or household consumption or use and not for resale. Wholesale applies to the sale of merchandise for resale to others; or to the sale to manufacturers, builders, contractors, or others for use in their business, or as raw materials. A store that sells merchandise on a combined wholesale and retail basis shall be assigned to the appropriate store classification depending upon whether the gross receipts are principally from wholesale or retail sales. The term "gross receipts" means gross receipts less receipts derived from the sale of lottery tickets. The term principally means more than 50% of the gross receipts.</u></p>
NONE	<p><u>EXCEPTION: If it is determined that a store's sales are clearly retail in nature, the appropriate retail store classification may be assigned regardless of the above definition of retail. Examples of this type of situation would be stores selling artwork or art supplies in a shopping mall when the majority of sales are to artists who use the materials in their business or artwork purchased by businesses. In these cases, the stores would clearly be classified as retail except for the ultimate use or purchaser of the products.</u></p>
NONE	<p><u>Classifications for which this rule is applicable are identified in part Two-Classifications by ▲ immediately following the code number.</u></p>

**EXHIBIT I**  
**BASIC MANUAL**  
**CLASSIFICATIONS**  
**PART TWO**

<b>PRESENT PHRASEOLOGY:</b>	<b>PROPOSED PHRASEOLOGY:</b>
<p><b>Farm.</b>  <del>For the purpose of the application of workers compensation farm classifications, a farm is defined as any parcel(s) of land used for the purpose of agriculture, horticulture, viticulture, dairying, or stock or poultry raising as a business or commercial venture. A division of payroll may be allowed for each separate and distinct type of commercial farm operation as described by farm classifications, provided that separate records of payroll are maintained. In the event that the payroll records do not reveal clearly an accurate segregation of payroll applicable to farm classifications, the entire payroll for the farm must be segregated on the basis of proportionate acreage's. Each farm classification includes all employees, other than inside domestic workers, including drivers, and all normal repair and maintenance of buildings or equipment performed by the employees of the insured. Such activities as the maintenance of cows, hogs, or chickens for family use; a family orchard or truck garden; and hay or grain crop raised for the purpose of maintaining work animals on the farm must be considered usual and incidental to the operation of any type of farm.</del></p>	<p><b>Farm.</b>            NONE</p>
<p><del>The following classifications apply to farming and agricultural operations:</del></p>	<p>NONE</p>

EXHIBIT II

BASIC MANUAL

MINNESOTA SPECIAL CLASSIFICATION CODES IMPACTED

<u>CLASS CODE</u>	<u>TYPE</u>
8353	MERCANTILE
8029	MERCANTILE
8036	MERCANTILE
9539	CONSTRUCTION
5000	CONSTRUCTION
6248	CONSTRUCTION
0006	FARM
7529	CONSTRUCTION
8284	MERCANTILE
8286	MERCANTILE
8280	MERCANTILE
8052	MERCANTILE
8285	MERCANTILE
8048	MERCANTILE
8034	MERCANTILE
7600	CONSTRUCTION
5649	CONSTRUCTION

**EXHIBIT III**  
**BASIC MANUAL**  
**PART ONE - RULES**

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
VII---Premium Discount	VII---Premium Discount
<p>E. Determination of Premium Discount                      If a policy develops total standard premium in excess of \$5,000, the standard premium is subject to premium discount as follows:</p>	<p>E. Determination of Premium Discount                      If a policy develops total standard premium in excess of <u>the threshold amount for premium discount authorized by the insurance regulatory authority for use by the carrier</u>, the standard premium is subject to premium discount as follows:</p>
<p>1. Without Retrospective Rating</p> <p><b>a. Single State Policy</b>                      If a policy provides coverage only in one state, the premium discount for that state shall be determined by applying the discount percentages <del>on the state rate pages</del> to the total standard premium.</p>	<p>1. Without Retrospective Rating</p> <p><b>a. Single State Policy</b>                      If a policy provides coverage only in one state, the premium discount for that state shall be determined by applying the <u>appropriate</u> discount percentages to the total standard premium <u>in excess of the threshold amount</u>. <u>Such discount percentages and threshold amount is that authorized by the appropriate insurance regulatory authority for use by the carrier.</u></p>
<p><b>b. Multiple State Policy</b>                      Premium discount applies on an interstate basis. It shall be determined by applying the discount percentages <del>on the state rate pages</del> to each state's portion of the <del>first \$5,000, next \$95,000, next \$400,000, and the amount over \$500,000</del> total standard premium. Each state's portion of the <del>foregoing divisions of total standard premium</del> shall be computed by multiplying the total standard premium <del>in each of the above divisions</del> by the ratio of the state standard premium to the total standard premium. Methods of computing premium discounts are in Appendix C.</p>	<p><b>b. Multiple State Policy</b>                      Premium discount applies on an interstate basis. It shall be determined by applying the <u>appropriate</u> discount percentages to each state's portion of the total standard premium <u>in excess of the threshold amount</u>. <u>Such discount percentages and threshold amount is that authorized by the appropriate insurance regulatory authority for use by the carrier</u>. Each state's portion of the <u>threshold amount and varying gradations of premium discount</u> shall be computed by multiplying the total standard premium by the ratio of the state standard premium to the total standard premium. Examples of common premium discount tables are located in Appendix B. Methods of computing premium discount are in Appendix C.</p>



**EXHIBIT III**  
**BASIC MANUAL**  
**PART ONE - RULES**

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
MN. EXCEPTION:	AMEND MN EXCEPTION:
RULE VII---Premium Discount	RULE VII---Premium Discount
<p><b>E. Determination of Premium Discount</b>                      Amend as follows:  <del>The premium discounts applicable to assigned risk policies are shown on the assigned risk state rate pages.</del></p>	<p>E. Determination of Premium Discount                      Amend as follows:  <u>If a policy develops total standard premium in excess of the threshold amount for premium discount authorized by the insurance regulatory authority filed for use by each carrier in the State of Minnesota, the standard premium is subject to premium discount as follows:</u></p>
E	<p>1. <u>Without Retrospective Rating</u>                      a. <b><u>Single State Policy</u></b>  <u>If a policy provides coverage only in one state, the premium discount for that state shall be determined by applying the appropriate discount percentages to the total standard premium in excess of the threshold amount. Such discount percentages and threshold amount is that authorized by the appropriate insurance regulatory authority filed for use by each carrier in the State of Minnesota.</u></p>
E	<p>b. <b><u>Multiple State Policy</u></b>  <u>Premium discount applies on an interstate basis. It shall be determined by applying the appropriate discount percentages to each state's portion of the total standard premium in excess of the threshold amount. Such discount percentages and threshold amount is that authorized by the appropriate insurance regulatory authority filed for use by each carrier in the State of Minnesota. Each state's portion of the threshold amount and varying graduations of premium discount shall be computed by multiplying the total standard premium by the ratio of the state standard premium to the total standard premium.</u></p>

**EXHIBIT V**  
**BASIC MANUAL**  
**PART ONE - RULES**

<b>PRESENT PHRASEOLOGY:</b>	<b>PROPOSED PHRASEOLOGY:</b>
<b>RULE VI--Rates, Advisory Loss Costs, and Premium Determination</b>	<b>RULE VI--Rates, Advisory Loss Costs, and Premium Determination</b>
<b>E. Minimum Premium</b>	<b>E. Minimum Premium</b>
<p><b>9. Multiple State Policies</b>                      If a policy provides workers compensation insurance in more than one state, the minimum premium to be charge for the policy shall be the single highest of the individual state's minimum premiums</p>	<p><b>9. Multiple State Policies</b>                      If a policy provides workers compensation insurance in more than one state, the minimum premium to be charge for the policy shall be the single highest of the individual state's minimum premiums <u>even if that state is on an "if any" basis. If two or more states have the same highest minimum premium, the minimum premium shall be reported for the highest state with the largest amount of premium.</u></p>

**EXHIBIT VI**  
**BASIC MANUAL**  
**PART ONE - RULES**

<b>PRESENT PHRASEOLOGY:</b>	<b>PROPOSED PHRASEOLOGY:</b>
<b>RULE VI—Rates, Advisory Loss Costs, and Premium Determination</b>	<b>RULE VI—Rates, Advisory Loss Costs, and Premium Determination</b>
<b>E. Minimum Premium</b>	<b>E. Minimum Premium</b>
<p><b>6. Adjustment Upon Audit</b>                      The minimum premium is subject to final adjustment and shall be determined upon audit only on the basis of those classifications developing premium. If the final earned premium is less than the minimum premium determined upon audit, that minimum premium shall be charged. If no classification develops premium, the premium charged shall be the minimum premium of Code 8810. For canceled policies, <i>refer to Rule X.</i></p>	<p><b>6. Adjustment Upon Audit</b>                      The minimum premium is subject to final adjustment and shall be determined upon audit only on the basis of those classifications developing premium. If the final earned premium is less than the minimum premium determined upon audit, that minimum premium shall be charged. If no classification develops premium, the premium charged shall be the minimum premium of Code 8810. For canceled policies, <i>refer to Rule X.</i> <u>In the event a policy is canceled midterm, the minimum premium for increased limits for Employers Liability and Federal coverage's shall be treated the same as a classification minimum premium.</u></p>

**EXHIBIT VII**  
**BASIC MANUAL**  
**PART ONE - RULES**

<b>PRESENT PHRASEOLOGY:</b>	<b>PROPOSED PHRASEOLOGY:</b>
<b>RULE X—Cancellation</b>	<b>RULE X—Cancellation</b>
<b>D. Premium Determination—Cancellation by the Insured, Except when Retiring from Business</b>	<b>D. Premium Determination—Cancellation by the Insured, Except when Retiring from Business</b>
The premium for the canceled policy shall be based on the Short Rate Cancellation Table in this rule and computed as follows:	SAME
<b>1. Actual Payroll</b> Determine the payroll developed during the period the policy was in effect.	SAME
<b>2. Extended Payroll and Number of Days</b> <b>a. Extended Payroll</b> Extend such payroll pro rata based on the number of days for which the policy was written divided by the number of days the policy remained in force to produce the full policy payroll.	SAME
Example A policy written for 250 days that remained in effect for 185 days produced a payroll of \$55,500. Payroll extended for the original policy term--\$55,500 x 250/185=\$75,000.	SAME
<b>b. Extended Number of Days</b> The extended number of days shall be determined by dividing the number of days the policy was in force by the number of days for which the policy was written and multiplying the quotient by 365 days. (When the policy was written for a one-year period, the extended number of days will equal the number of days the policy remained in force.)	SAME
<b>3. Rates</b> Apply authorized rates to the payroll in 2.a. above.	SAME

**EXHIBIT VII**  
**BASIC MANUAL**  
**PART ONE - RULES**

<b>PRESENT PHRASEOLOGY:</b>	<b>PROPOSED PHRASEOLOGY:</b>
<p><b>4. <i>Short Rate Percentage</i></b>                      Based on the extended number of days calculated in 2.b., apply the short rate percentage shown in the Short Rate Cancellation Table in this rule to the premium computed on the basis of the extended payroll in order to determine the short rate portion of the premium.</p>	<p>SAME</p>
<p><b>5. <i>Experience Rating</i></b>                      Apply any experience rating modification in accordance with the rules of the Experience Rating Plan Manual. <i>Refer to Rule VI-G.</i></p>	<p>SAME</p>
<p><b>6.</b>                      NONE</p>	<p><b>6. <u><i>Premium Discount</i></u></b>  <u>Apply any premium discount based on the final earned total standard premium.</u></p>
<p><del><b>6. <i>Expense Constant</i></b></del>                      Add the short rate portion of the Expense Constant but not less than \$15. <i>Refer to Rule VI-D.</i></p>	<p><b>7. <u><i>Expense Constant</i></u></b>                      Add the short rate portion of the Expense Constant but not less than \$15. <i>Refer to Rule VI-D.</i></p>
<p><b>7. <i>Minimum Premium</i></b>                      The total premium for the canceled policy shall not be less than the minimum premium <i>Refer to Rule VI-E.</i></p>	<p><b>8. <u><i>Minimum Premium</i></u></b>                      The total <u>earned</u> premium for the canceled policy shall not be less than the <u>annual</u> minimum premium <u>applicable to the policy</u>. <i>Refer to Rule VI-E.</i></p>

EXHIBIT VIII

BASIC MANUAL

PART ONE - RULES

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
<b><u>RULE X—Cancellation</u></b>	<b><u>RULE X—Cancellation</u></b>
<b>D. Premium Determination—Cancellation by the Insured, Except when Retiring from Business</b>	<b>D. Premium Determination—Cancellation by the Insured, Except when Retiring from Business</b>
<b><u>8. Examples of a Short Rate Cancellation</u></b> <b>Note:</b> The amounts shown in the following examples are for illustration purposes only.	<b><u>9. Examples of a Short Rate Cancellation</u></b> <b>Note:</b> The amounts shown in the following examples are for illustration purposes only.
NONE	<b><u>a. Policy Originally Written For Less Than a One-Year Period</u></b>
<i>A policy originally written for 250 days and in effect for 185 days develops actual payroll of \$300,000, manual rate of \$5.00, minimum premium of \$385, experience modification of .90 and with expense constant of \$160.</i>	<i>A policy originally written for 250 days and in effect for 185 days develops actual payroll of \$300,000, manual rate of \$5.00, minimum premium of \$385, experience modification of .90 and with expense constant \$200.</i>
<ul style="list-style-type: none"> <li>a. Payroll extended for full policy term = <math>\\$300,000 \times \\$250/185 = \\$405,405</math>.</li> <li>b. Full policy term premium before experience rating = <math>\\$405,405 \times \\$5.00 = \\$20,270</math>.</li> <li>c. Extended number of days = <math>185/250 \times 365 = 270</math>.</li> <li>d. Short rate percentage for 270 days = 80%.</li> <li>e. Short rate premium = <math>\\$20,270 \times .80 = \\$16,216</math>.</li> <li>f. Full policy term modified premium = <math>\\$16,216 \times .90 = \\$14,594</math>.</li> <li>g. Less premium discount (first \$5,000, @ 0%, next \$9,594 @ 9.5%) = \$911. <math>\\$14,594 - \\$911 = \\$13,683</math>.</li> <li>h. Short rate portion of expense constant = <math>\\$200 \times .80 = \\$160</math>.</li> <li>i. Total premium for canceled policy = <math>\\$13,683 + \\$160 = \\$13,843</math>.</li> <li>j. Minimum premium = \$385. Not applicable to this policy.</li> </ul>	<ul style="list-style-type: none"> <li>1. Payroll extended for full policy term = <math>\\$300,000 \times \\$250/185 = \\$405,405</math>.</li> <li>2. Full policy term premium before experience rating = <math>(\\$405,405/100) \times \\$5.00 = \\$20,270</math>.</li> <li>3. Extended number of days = <math>185/250 \times 365 = 270</math>.</li> <li>4. Short rate percentage for 270 days = 80%. <u>Refer to Rule X.E.</u></li> <li>5. Short rate premium = <math>\\$20,270 \times .80 = \\$16,216</math>.</li> <li>6. Short rate modified premium = <math>\\$16,216 \times .90 = \\$14,594</math>.</li> <li>7. Less premium discount (first \$5,000, @ 0%, next \$9,594 @ 9.5%) = \$911. <math>\\$14,594 - \\$911 = \\$13,683</math>.</li> <li>8. Short rate portion of expense constant = <math>\\$200 \times .80 = \\$160</math>.</li> <li>9. Total premium for canceled policy = <math>\\$13,683 + \\$160 = \\$13,843</math>.</li> <li>10. Minimum premium = \$385. Not applicable to this policy.</li> </ul>
NONE	<ul style="list-style-type: none"> <li>b. Policy Originally Written For a One-Year Period</li> <li><u>A policy originally written for 365 days and in effect for 185 days develops actual payroll of \$55,500, manual rate of \$2.00, minimum premium of \$750, experience modification of .95 and with expense constant of \$200.</u></li> </ul>

EXHIBIT VIII

BASIC MANUAL

PART ONE - RULES

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
	<ol style="list-style-type: none"> <li>1. Payroll extended for full policy term = <math>\\$55,500 \times 365/185 = \\$109,500</math>.</li> <li>2. Full policy term premium before experience rating = <math>(\\$109,500/100) \times \\$2.00 = \\$2,190</math>.</li> <li>3. For a 365 day policy, extended # of days = # of days policy in effect = 185.</li> <li>4. Short rate percentage for 185 days = 61%. Refer to Rule X.E.</li> <li>5. Short rate premium = <math>\\$2,190 \times .61 = \\$1,336</math>.</li> <li>6. Short rate modified premium = <math>\\$1,336 \times .95 = \\$1,269</math>.</li> <li>7. Less premium discount (first \$5,000, @ 0%) = \$0.</li> <li>8. Short rate portion of expense constant = <math>\\$200 \times .61 = \\$122</math>.</li> <li>9. Total premium for canceled policy = <math>\\$1,269 + \\$122 = \\$1,391</math>.</li> <li>10. Minimum premium = \$750. Not applicable to this policy.</li> </ol>
	c) Policy Originally Written For a One-Year Period Using a Short Rate Factor
<p><i>Refer to Appendix D for an alternative method of short rate computation for policies originally written for a one-year period.</i></p>	SAME
NONE	<p><b>A policy originally written for 365 days and in effect for 185 days develops actual payroll of \$55,500, manual rate of \$2.00, minimum premium of \$750, experience modification of .95 and with expense constant of \$200.</b></p> <ol style="list-style-type: none"> <li>1. Actual premium = <math>\\$55,500/100 \times \\$2.00 = \\$1,110</math>.</li> <li>2. Short rate factor for 185 days (See Short Rate Table in Appendix D) = <math>1.2035 - 1.00 = .2035</math>.</li> <li>3. Short rate charge = (1) x (2) = <math>\\$1,110 \times .2035 = \\$226</math>. (Use Statistical Code 0931 for reporting)</li> <li>4. Short rate manual premium = (1) + (3) = <math>\\$1,110 + \\$226 = \\$1,336</math>.</li> <li>5. Short rate modified premium = <math>\\$1,336 \times .95 =</math></li> </ol>

EXHIBIT VIII

BASIC MANUAL

PART ONE - RULES

PRESENT PHRASEOLOGY:	PROPOSED PHRASEOLOGY:
	<p>\$1,269.</p> <p>6. Less premium discount (first \$5,000, @ 0%) = \$0.</p> <p>7. Short rate portion of the expense constant = Pro rata portion of expense constant + short rate factor applied to pro rata portion of expense constant = <math>[(\\$200/365 \times 185) + ((\\$200/365 \times 185) \times .2035)] = \\$122.</math></p> <p>8. Total premium for canceled policy = \$1269 + \$122 = \$1,391.</p> <p>9. Minimum premium = \$750. Not applicable to this policy.</p>
<p><i>Assigned Risk Exception:</i> Compute the premium as provided in B. above when an assigned risk policy is being canceled because the insured has replaced coverage through the voluntary market.</p>	<p>SAME</p>



**EXHIBIT IX**  
**BASIC MANUAL**  
**RULES AND PROCEDURES**

<b>PRESENT PHRASEOLOGY:</b>	<b>PROPOSED PHRASEOLOGY:</b>
Appendix A—Rules And Procedures	Appendix A—Rules And Procedures
<b>E</b>	<b>V. Coverage and Interpretations of Law</b>
<b>E</b>	<u>Interpretation of state or federal laws pertaining to</u>
	<u>coverage issues is not within the jurisdiction of</u>
	<u>NCCI.</u>